



BAC 7710-FW-P

POSTAL REGULATORY COMMISSION

39 CFR Part 3050

[Docket No. RM2018-5; Order No. 4630]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commission is noticing a recent filing requesting that the Commission initiate an informal rulemaking proceeding to consider changes to an analytical method for use in periodic reporting (Proposal Two). This document informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* July 16, 2018.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On May 25, 2018, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal Two.

II. Proposal Two

Background. Proposal Two relates to new sampling and weighting procedures for the city carrier portion of the In-Office Cost System (IOCS).² The current IOCS design uses a multi-stage probability sample to randomly select city carriers, then an interval of work time from the city carrier's tour, resulting in an observation ("reading") that represents a "snapshot" of work activity in a

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Two), May 25, 2018 (Petition).

² Petition at 1. The IOCS "is a continuous, ongoing probability sample of work time to estimate costs of various activities performed by clerks, mail handlers, city carriers, and supervisors." See Docket No. ACR2017, Library Reference USPS-FY17-37, file "USPS-FY17-37.Preface.pdf," at 2.

sampled interval.³ Under the current IOCS design, data collection for city carriers is widely dispersed in both time and location, so the Postal Service conducts most city carrier readings by telephone. The Postal Service states that the availability of detailed clock ring data from the Time and Attendance Collection System (TACS) and Delivery Operations Information System (DOIS) data now allows for a change to the current IOCS sampling design for city carriers. *Id.* at 1-2.

Proposal. The Postal Service proposes to change the current IOCS sample design for city carriers to a cluster sampling approach that would include using TACS workhours to weight the sampling data. *Id.* at 3-4. In the morning, on-site clustered city carrier readings would be conducted by an IOCS data collector, rather than with telephone respondents in sampled delivery zones.⁴ In zones with six or more routes (sampling mode 1), a maximum of six carriers would be randomly selected to represent the zone and morning readings would be taken on-site by the IOCS data collector once every 30 minutes.⁵ In zones with fewer than six city carriers working the selected zone (sampling mode 2), morning readings would be taken on-site by the IOCS data collector on all

³ Petition, Proposal Two at 1. The Postal Service currently uses cost estimates from the IOCS to develop total accrued costs for both city carrier in-office and street time. *Id.*

⁴ *Id.* at 2, 4. “Zone is defined by both ZIP Code and finance number.” *Id.* at 4 n.5.

⁵ *Id.* at 5. All morning readings would begin when carriers start their workday and would continue until 11 a.m. *Id.* at 6.

carriers once every 15 minutes.⁶ In the afternoon (sampling mode 3), all city carrier readings would be conducted by telephone and clustered into one-hour intervals.⁷

Under the cluster sampling design, the Postal Service proposes to use TACS workhours to weight sampling data by zone, and to provide cost controls for city carriers by time-of-day (morning and afternoon) and day-of-week group (weekday/Saturday group and Sunday/Holiday group). *Id.* at 4-5. Additionally, the Postal Service states that it will use DOIS and TACS data for the sampled zone to weight the readings for each test relative to other tests within the same Cost Ascertainment Group (CAG) strata, and to post-stratify readings by route group and city carrier craft group. *Id.* at 4, 7. However, the Postal Service states that all afternoon readings are scaled to the total hours in the afternoon and not estimated by CAG separately because it asserts that “there are insufficient afternoon tallies” and “no significant difference [for in-office cost] is expected” because carriers would be on the street. *Id.* at 7.

The Postal Service asserts that the proposal adopts the approach suggested by the Commission in Order No. 4399 for developing route group

⁶ The Postal Service plans to synchronize IOCS-Cluster readings with City Carrier Cost System (CCCS) tests when a data collector is already scheduled to be at a delivery unit.

⁷ All afternoon readings would be conducted between 11:00 and 19:00 hours. *Id.* at 6.

weighting factors when there were “empty cells” within the combination of route group and carrier group. *Id.* at 12.

Proposal Two would also “[u]se TACS data to provide control totals for the portion of supervisor costs incurred by employees whose base craft is carrier, but who have clocked as supervisor.” *Id.* at 4. Additionally, unlike the current IOCS methodology, under the Proposal Two methodology, no IOCS readings would be conducted on Sundays and Holidays.⁸ However, for purposes of evaluating and presenting the estimated impact on FY 2017 costs, the Postal Service “shows the effects of attributing all Sunday/Holiday costs” to Parcel Select. *Id.* at 9.

Rationale and impact. The Postal Service states that the primary objective of Proposal Two is to replace telephone readings with on-site readings, particularly while carriers are on the premises and handling mail. *Id.* at 10.

The Postal Service projects that the IOCS-Cluster system will obtain twice as much on-premises data as the current system, but “due to the improvement in sampling efficiency, will not require additional data collection resources.” *Id.* at 8. Further, the Postal Service asserts that “[t]he new design improves data quality by obtaining far more data from on-site rather than telephone readings, while simultaneously improving data collection efficiency.” *Id.* at 1.

⁸ *Id.* at 5. Instead, the Postal Service states that it will develop control total costs for Sunday/Holiday from TACS hours and distribute costs using scanning data from Product Tracking and Reporting (PTR). *Id.* at 5, 9. The Postal Service explains that it intends to file a separate proposal outlining the use of the PTR data for Sunday/Holiday costs. *Id.* at 5.

The Postal Service lists several benefits of the proposal including the ability to scan barcodes, providing feedback at the time of the reading for less-common products and assisting with “back-end processing of tallies.” *Id.* at 10. Additionally, the Postal Service states that on-site data collectors may do a better job than a telephone respondent of recognizing some of the mailpiece markings that are less common and more obscure. *Id.* Further, unlike city carrier telephone respondents, under Proposal Two, on-site IOCS data collectors would not have other duties that may affect and constrain participating in a reading under the current IOCS sampling system. *Id.*

The Postal Service states that the proposal will result in a significant increase in the percentage of direct tallies where the carrier is handling the mailpiece, and decreases in tallies for support and administrative activities, training, and mixed mail. *Id.* at 12. The Postal Service also anticipates a significant increase in tallies in the parking area, potentially making it possible to distribute mixed mail tallies separately from in-facility. *Id.* at 13.

The Postal Service states that the pilot data indicate some significant shifts in product costs, including a decrease in costs for First-Class letters, and increases in costs for a number of products including parcel-shaped products, carrier route bundled products, Periodicals, and International Mail. *Id.* at 14-15. The Postal Service asserts that the shifts in product costs are most likely due to

the use of on-site data collectors rather than telephone respondents. *Id.* at 15.

The proposal would also impact costs associated with supervising city carriers.⁹

The Postal Service's estimate of the effect on product unit costs is presented in Table 5 of Proposal Two, which is reproduced here. *Id.* at 16.

⁹ *Id.* at 14. The pilot data showed a 9.1-percent increase in supervisor city carrier costs, which resulted in a slight increase in piggyback factors on city carrier costs. *Id.*

CLASS, SUBCLASS, OR SPECIAL SERVICE	CRA Class	OFFICE AND STREET WITH PIGGYBACKS No Cluster	OFFICE AND STREET WITH PIGGYBACKS IOCSClusterV2	% CHANGE OFFICE AND STREET COSTS	FY17 VOL VAR UNIT COST, FY17 ACR	FY17 UNIT COST WITH IOCSClusterV2	% CHANGE	DIFF UNIT COST
COLUMN NUMBER		(8)	(9)	(13)	(14)	(15)	(16)	(17)
UNITS		\$ in thousands	\$ in thousands	%	\$	\$	%	\$
MARKET DOMINANT								
First-Class Mail								
Single-Piece Letters	3	817,236	671,148	-18%	\$ 0.287	\$ 0.270	-5.7%	\$ (0.016)
Single-Piece Cards	4	35,606	32,138	-10%	\$ 0.316	\$ 0.306	-3.1%	\$ (0.010)
Presort Letters	8	687,197	619,572	-10%	\$ 0.118	\$ 0.114	-3.2%	\$ (0.004)
Presort Cards	9	29,185	34,300	18%	\$ 0.075	\$ 0.079	6.2%	\$ 0.005
Flats	0	138,910	140,550	1%	\$ 1.055	\$ 1.058	0.2%	\$ 0.002
Parcels	19	14,010	17,042	22%	\$ 2.502	\$ 2.590	3.5%	\$ 0.087
Total First-Class Mail	80	1,722,144	1,514,750	-12%	\$ 0.200	\$ 0.193	-3.6%	\$ (0.007)
USPS Marketing Mail								
High Density and Sat Letters	21	135,284	151,716	12%	\$ 0.072	\$ 0.076	6.3%	\$ 0.005
High Density and Sat Flats/Parcels	22	339,937	375,967	11%	\$ 0.110	\$ 0.116	5.7%	\$ 0.006
Every Door Direct Mail-Retail	24	18,871	21,095	12%	\$ 0.066	\$ 0.072	9.7%	\$ 0.006
Carrier Route	23	410,167	456,803	11%	\$ 0.209	\$ 0.220	5.5%	\$ 0.012
Letters	25	882,440	892,506	1%	\$ 0.102	\$ 0.102	0.4%	\$ 0.000
Flats	26	411,899	364,309	-12%	\$ 0.518	\$ 0.496	-4.2%	\$ (0.022)
Parcels	27	8,250	7,561	-8%	\$ 1.793	\$ 1.755	-2.1%	\$ (0.037)
Total USPS Marketing Mail	81	2,206,847	2,269,958	3%	\$ 0.137	\$ 0.139	1.2%	\$ 0.002
Total Periodicals	82	278,824	325,916	17%	\$ 0.373	\$ 0.391	4.9%	\$ 0.018
Package Services								
Bound Printed Matter Flats	42	13,826	23,717	72%	\$ 0.500	\$ 0.568	13.7%	\$ 0.068
Bound Printed Matter Parcels	43	40,340	55,973	39%	\$ 0.971	\$ 1.075	10.7%	\$ 0.104
Media/Library Mail	44	13,216	15,459	17%	\$ 4.600	\$ 4.656	1.2%	\$ 0.056
Total Package Services	83	67,383	95,149	41%	\$ 1.244	\$ 1.327	6.7%	\$ 0.083
US Postal Service	85	30,123	25,887	-14%				
Free Mail	86	1,879	2,738	46%	\$ 0.910	\$ 0.950	4.4%	\$ 0.040
Total Domestic MD Mail	90	4,307,200	4,234,398	-2%				
Ancillary Services								
Certified Mail	51	78,708	86,421	10%	\$ 2.759	\$ 2.842	3.0%	\$ 0.083
COD	52	234	261	12%	\$ 6.642	\$ 6.764	1.9%	\$ 0.123
Insurance	54	1,456	1,769	21%	\$ 3.173	\$ 3.204	1.0%	\$ 0.031
Registered Mail	55	1,022	776	-24%	\$ 11.029	\$ 10.778	-2.3%	\$ (0.251)
Other Ancillary Services	58	41,921	39,701	-5%				
Total Domestic MD Svcs	91	123,340	128,927	5%				
Total Domestic MD Mail/Svcs	92	4,430,540	4,363,325	-2%				
Total Domestic Comp Mail/Svcs	192	813,998	1,132,533	39%	\$ 2.430	\$ 2.548	4.8%	\$ 0.117
INTERNATIONAL	185	79,785	86,334	8%				
Total Volume Variable	198	5,324,323	5,582,192	5%				

III. Notice and Comment

The Commission establishes Docket No. RM2018-5 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission's Web site at <http://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal Two no later than July 16, 2018. Pursuant to 39 U.S.C. 505, Lyudmila Y. Bzhilyanskaya is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. RM2018-5 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Two), filed May 25, 2018.

2. Comments by interested persons in this proceeding are due no later than July 16, 2018.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Lyudmila Y. Bzhilyanskaya to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Ruth Ann Abrams,

Acting Secretary.

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